

Message Text

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ACTION EA-06

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C O N F I D E N T I A L SEOUL 9792

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NOFORN

E.O. 11652: GDS

TAGS: ENRG, KS

SUBJECT: OIL DISCOVERY IN KOREA

REF: (A) SEOUL 9464 (B) SEOUL 9562

1. SUMMARY: ALTHOUGH OFFICIALLY STILL BEING CLOSELY HELD, KNOWLEDGE OF DISCOVERY OF OIL NEAR POHANG AREA IS SPREADING RAPIDLY THROUGH SEOUL COMMUNITY. FOLLOWING IS SUMMARY OF FACT, RUMOR AND CONJECTURE GLEANED BY VARIOUS EMBASSY OFFICERS FROM ACADEMIC, BUSINESS AND OFFICIAL SOURCES. END SUMMARY.

2. HISTORY: PRESENCE OF OIL LONG SUSPECTED IN POHANG AREA BECAUSE OF NATURAL GAS LEAKAGE FROM GROUND. ONE SOURCE ATTRIBUTES DISCOVERY TO PROPHECY OF MUDAN (ANIMISTIC SOOTHSAYER). DRILLING CONDUCTED SOME YEARS AGO WAS UN-SUCCESSFUL. ONE SOURCE SAYS UNIDENTIFIED KOREAN FIRM UNDERTOOK DRILLING AND WENT BANKRUPT IN PROCESS. ANOTHER ALLEGES GULF WAS INVOLVED IN DRILLING AND THAT ROKG NOW SUSPECTS GULF EITHER MADE HALF-HEARTED EFFORT OR DELIBERATELY CONCEALED REAL PROSPECTS TO PROTECT MARKET FOR ITS PERSIAN GULF CRUDE. FOR THIS REASON, SAYS LATTER SOURCE, IT UNLIKELY ROKG WILL OFFER
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GULF OPPORTUNITY TO PARTICIPATE IN OIL EXPLOITATION.

3. DISCOVERY: FOLLOWING ABANDONMENT OF PREVIOUS DRILLING, ONE SOURCE SAYS ROKG ASSUMED EXPLORATION RIGHTS AND RESUMED DRILLING EARLY THIS YEAR. SOURCES DIFFER AS TO ENTITY CONDUCTING DRILLING. ONE IDENTIFIED IT AS KOREAN ENTITY CALLED MINERAL DEVELOPMENT COMPANY. OTHERS INDICATE DRILLING DONE BY GOVERNMENT AGENCY. IN ANY EVENT, KCIA APPEARS HEAVILY INVOLVED IN DIRECTION AND CONTROL OF EFFORT. DEPENDING ON SOURCE, DRILLERS USED EITHER EQUIPMENT OF TYPE USED TO SINK DEEP FRESH WATER WELLS ON CHEJU DO OR RIGS IMPORTED FROM UNSPECIFIED SOURCE ESPECIALLY FOR PURPOSE. TECHNICIANS ALLEGEDLY WERE ALL KOREAN. THIRD HOLE STRUCK OIL AT DEPTH OF 1300 - 1500 METERS IN LATE NOVEMBER. AS OF DECEMBER 17, ACCORDING ONE SOURCE, WELL WAS PRODUCING "LARGE QUANTITY" AND FEELING WAS GROWING THAT DISCOVERY WAS SUBSTANTIAL. SOURCES AGREE THAT THERE IS NO SCIENTIFIC DATA AVAILABLE TO INDICATE SIZE OF FIELD AND THAT ROK DOES NOT HAVE SCIENTIFIC EXPERTISE TO DETERMINE THIS. NEVERTHELESS, DRILLING IS REPORTED TO BE CONTINUING TO GET ADDITIONAL DATA, ONE SOURCE SAYS SIX MORE HOLES PLANNED. PRELIMINARY TESTS REPORTEDLY INDICATE THAT CRUDE IS LOW SULPHUR OF EXCELLENT QUALITY. (HOWEVER, AKNOWLEDGE SOURCE EXPRESSED A SKEPTICISM ABOUT THE ABILITY OF THOSE INVOLVED TO MAKE SUCH A JUDGMENT).

4. REACTION: PRESIDENT AND HIS CLOSEST ADVISORS ARE ECSTATIC OVER FIND AND VIEW IT AS POTENTIAL SOLUTION OF WIDE RANGE ECONOMIC, SECURITY AND EVEN POLITICAL PROBLEMS. PRESIDENT HOWEVER, DOES NOT WISH TO ANNOUNCE DISCOVERY YET FOR THREE REASONS: (A) HE DOES NOT WISH RAISE PUBLIC HOPES UNDULY AND WANTS MORE TIME IN WHICH TO PROVE OUT THE FIND. (B) TIME IS NEEDED IN WHICH TO DETERMINE HOW TO ARRANGE ACQUISITION OF REQUIRED TECHNOLOGY FOR FURTHER EXPLORATION AND DETERMINATION OF POTENTIAL ON ROK TERMS WITHOUT ATTRACTING ATTENTION FROM FOREIGN INTERESTS, PARTICULARLY JAPANESE, AND (C) TIME IS REQUIRED TO DETERMINE HOW ROKG CAN BEST EXPLOIT FIELD WHILE RETAINING CONTROL OF RESOURCE ITSELF. DESPITE ATTEMPT AT SECRECY HOWEVER, IT IS COMMON KNOWLEDGE THAT PRESIDENT HAS BRIEFED SELECT GROUP OF BUSINESSMEN, AND PRIME MINISTER, SOMEWHAT INDISCREETLY, HAS BRIEFED BOTH DRP AND OPPOSITION ASSEMBLYMEN AND AT ONE POINT ACTUALLY DISTRIBUTED PRESS RELEASE

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WHICH WAS RECALLED AT LAST MINUTE.

5. FUTURE HANDLING: SOURCES ARE GENERALLY AGREED THAT BOTH EXPLORATION AND EXPLOITATION OF THIS FIND, IF IT INDEED IS ONE, WILL REQUIRE FOREIGN TECHNOLOGY. MOST SOURCES BELIEVE PRESIDENT WOULD PREFER U.S. TO JAPANESE OR OTHER THIRD COUNTRY INTERESTS AS SOURCE OF TECHNOLOGY. THEY ALSO BELIEVE, HOWEVER, THAT ROKG WILL SEEK TO RETAIN MAXIMUM CONTROL AND WILL PROBABLY

WISH TO DEAL WITH FOREIGN FIRM WHICH WILL FURNISH TECHNICAL AND SCIENTIFIC REQUIREMENTS FOR A FEE. ONE KNOWLEDGEABLE KOREAN OIL COMPANY EXECUTIVE REMAINS SKEPTICAL. ON THE ONE HAND, HE HAS NO FAITH THAT PEOPLE DOING THE DRILLING KNOW MUCH ABOUT OIL; MOREOVER, THEY REFUSED TO LET OIL COMPANY REPRESENTATIVES VISIT THE SITE. ON THE OTHER HAND, HE COULD SEE NO MOTIVE FOR MAKING UP THE STORY SO HE WANTED TO WAIT AND SEE.

IN ANY EVENT, DESPITE OBVIOUS IMPOSSIBILITY OF MAINTAINING SECRECY, SOURCES GENERALLY AGREE THAT ROKG WILL ATTEMPT TO WITHHOLD PUBLIC ANNOUNCEMENT FOR ANOTHER SIXTY DAYS, WHICH WOULD BE THE NEATEST TRICK OF THE YEAR.
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